

D2i – Design to innovate – S3 implementer in transition period

Introduction

In Denmark, the government has decided to redefine the role of the regional authorities from 2019 and onwards. This means that all activities regarding defining and implementing smart specialization strategies will be moved from the regional level where it has been placed so far and onto national level, from where it will form part of a centralized structure with a National Business Agency defining and monitoring strategies supporting business development.

D2i – Design to innovate (D2i) is a Danish design cluster assisting Danish enterprises to grow and develop by introducing them to strategic design and subsequently by maintaining them in applying the design methods. D2i has been actively involved in implementing the smart specialization strategy defined for South Denmark Region. With the anticipated changes in the Danish business support system, D2i is challenged on its role and functions as implementer of regional strategies.

A feedback structure and a redefined position of D2i as implementer of development strategies depend on, 1) the implementation of the new business support structure, and 2), the restructuring of the Danish range of business support agencies at local and regional levels. The following briefly presents the picture as it looks now (Autumn 2018), and awareness points attached to each element. It has to be kept in mind that the picture is seen from D2i's perspective – it doesn't necessarily represent the perspective of the Danish state or of other Danish strategy implementers or owners.

The aim of this paper is to present some learning and awareness points in a period of transition between two different business support systems, seen from the perspective of D2i as a regional strategy implementer. Further, short descriptions of strategy development and implementation structures as they are in place in other EmplInno regions and countries are included in order to create a reflection framework for the transformation of the Danish business support system. However, due to the uncertainty regarding how the new system will operate in Denmark, this paper will represent a rather temporary and limited perspective, and therefore, it serves more the purpose of reflection than a roadmap for action.

The content has been developed based on discussions and dialogues internally at D2i, taking place since May when the proposal for the restructuring of the business support system was presented to the public.

1. The new business support structure

At the moment (November 2018), the new business support system is still at its preliminary stage. It has been presented in a national bill to the Danish Parliament and negotiations have started but the

bill has not yet been adopted as law. However, only minor changes to the proposal can be expected as it is supported by a majority of the Danish national politicians.

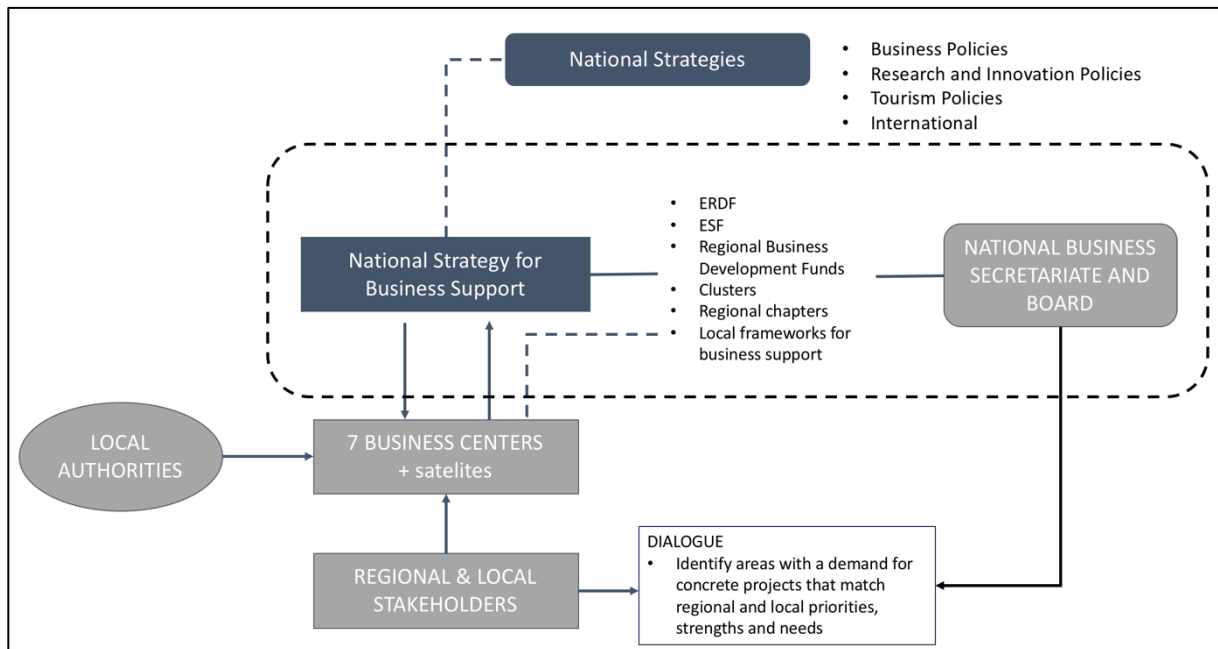


Fig. 1. Overview of future Danish business support system and main channels for influence on coming strategies based on the draft bill presented to the Danish Parliament, autumn 2018, as interpreted by D2i.

Awareness points:

- *The Business Centers.* They will be located in 7 pre-defined geographical areas with each their specific strengths and challenges. It is anticipated that these strengths and challenges will influence the national business strategy to a larger extent than strength and needs from other geographical areas not supported by a business center
- *Local authorities* will be represented at the boards of both the National Business Secretariat and the Business Centers. Furthermore, they will be co-financing the new business support system. Their influence on the national business support strategy is expected to be high.
- *Competences and knowledge.* Today, competences within developing and implementing smart specialization strategies are mainly present within the regional authorities. Although some competences and knowledge will be transferred with staff moving from a position at a regional authority to a position at the national business secretariat, it is expected that in-depth knowledge and competences on dealing with e.g. European structural funds will be non-existing during a period of transition which is difficult to define.
- *New procedures.* Building a completely new business support system requires new procedures and definitions of roles and responsibilities between those involved. This

takes time and it is expected to affect how smoothly the new system will be able to operate for the first long period.

2. Restructuring of Danish business agencies at local, regional and national levels

A significant part of the Danish business support is provided by clusters and innovation networks. At the moment, in total 42 clusters and innovation networks exist in Denmark. The main difference between Innovation Networks and Clusters is the source of financing: Innovation Networks are financed by the state with specific requirements connected to the financing they get. Clusters are typically funded by members' fees, and through projects that define the activities and service they provide to enterprises. Some clusters also work as innovation network with national funding supporting specific types of activities.

Each of these clusters and innovation networks have specific and focused knowledge, competences and areas of support. The ambition of the Danish government is to reduce the number of clusters and innovation networks to in total 10-12 'positions of strengths'.

Awareness points:

- *Place matters.* The performance of clusters and innovation networks is based on how many years they have been operating, how well they are managed, and in particular for clusters, how well their local ecosystems of innovation function. An important awareness point for clusters in particular is the risk of local connectivity if clusters are gathered in larger national 'positions of strengths'.
- *Loss of knowledge and competences.* With such a significant reduction of business support agencies in the form of clusters and innovation networks it is expected that a loss of knowledge and competences will be the consequence. The value of clusters and Innovation networks rely on their ability to bridge the different entities in a triple helix system: knowledge institutions, enterprises and public sector (authorities and important public institutions). This type of knowledge is embedded within the secretariats of the clusters and innovation networks, and although databases may support the transfer of knowledge a great part of it is personal, built up during years of employment.

3. Potential areas for action

At this stage, mainly two potential areas form bases for action: 1) re-positioning the different business agencies and their competences, and 2) identifying relevant cross-cluster or cross-network initiatives. Both areas can be seen as important for addressing some the awareness points raised above.

a. Re-positioning

Although the new national business structure is not in place, a process of redefining key competences, strengths and key areas of action will help the clusters and innovation networks to define themselves in relation to others. This may create greater awareness of local/regional strong points and key competences that will help the existing clusters and innovation networks in promoting their value towards the new national business support system.

D2i is already working on re-positioning itself in relation to other regional and national networks, centers and sector-related organisations with design as main focus area. This is done at different levels and in different fora – however, the objective and outcomes are common, supporting D2i in maintaining the knowledge and competences that the cluster possess in relation to applying design methods in support of Danish enterprises' need to grow and develop.

b. Initiatives at cross-cluster/cross-network level

In South Denmark Region, five clusters/innovation networks have supported the implementation of regional smart specialization strategies within each their specific area. The introduction of a new national business support system has created incentives for a cross-cluster initiative with the aim of identifying cross-sectoral areas of interest for the enterprises and ecosystems of innovation that each cluster/innovation network represents.

D2i is responsible for the first initiative of this kind – a Cross-Cluster Innovation Workshop taking place in Kolding, Denmark, where D2i is located. All five clusters from South Denmark will be represented at this workshop, where the S3 Synergy Diamond Model, a tool for cross-cluster collaboration developed by Stuttgart Cluster Agency, will form the basis for a mapping and identification of relevant, innovative and future-oriented initiatives at cross-cluster level. The aim is, in the longer run, to take the level of innovation in Danish enterprises to a higher level by identifying cross-sectoral activities and initiatives that give sense, are feasible and with a potential for creating value for Danish enterprises.

4. Inspiration from other Baltic Sea Regions

During periods of transition, it may give sense to consider how other regions and countries are dealing with developing and implementing smart specialization strategies. This could create inspiration and food for thought on how to act and react to the changes going in Denmark.

Three regions/countries have been chosen for inspiration. The choice has been based on these criteria: 1) countries/region with national S3 to find identification points for the future Danish S3 and 2) countries/regions with strong stakeholder involvement and levels of interaction between strategy owner and implementer. Beneath follows a brief presentation of main characteristics from their business support systems, followed by an indication of potential learning points.

Estonia

Enterprise Estonia (EAS) was established in 2000 and it 'promotes business and regional policy in Estonia and is one of the largest institutions within the national support system for entrepreneurship by providing financial assistance, counselling, cooperation opportunities and training for entrepreneurs, research institutions, the public and non-profit sectors. Following Estonia's accession to the EU, EAS became one of the agencies implementing EU structural funds in Estonia. During the 2007-2013 EU financing period, EUR 784 million (EEK 12 billion) of the more than EUR 3.4 billion (EEK 53 billion) of structural aid to Estonia has been implemented by Enterprise Estonia. In EU's new, 2014-2020 funding period, the budget for Structural Funds is 3.5 billion euros, of which 588.1 million is to be implemented by Enterprise Estonia.' (source: <https://www.eas.ee/eas/?lang=en>)

The business support system in Estonia is national and may in its structure look like the future system in Denmark. It seems, though, to be more centralized than the future Danish system, and with more national control regarding strategy development and strategic focus areas. Organisations, clusters and technology centers can apply for funding for projects, with the Financial Ministry as managing authority. In this sense, EAS seems to have a channeling function, counselling private and public stakeholders on opportunities supporting the national strategy for business development. In Denmark, the future National Business Agency will be managing authority for funds distributed to projects and as operational funds for organisations, clusters and innovation networks. The National Business Agency is therefore expected to be the most important player for both existing clusters and innovation networks and for the future Business Centers.

Based on its strategy 2015-18, EAS focuses on enterprises with potential for export and for creating higher added value, which are defined as those enterprises providing 100 % of total export of Estonia and 39 % of added value created (source: EAS – Strategy for 2015-18). In Denmark, the new business centers which are expected to be key players in the new business support system will include all types of businesses in their services. This is in contrast to the system as it is now where regional growth centers (Væksthuse) are meant to focus on enterprises with clear growth potential. Based on this, the function of EAS seems to resemble the function of the Danish 'growth centers', and the changes in the Danish system can therefore be described as a change in a more democratic and inclusive perspective, embracing all types of enterprises and not only those with potential for growth and export.

Latvia

The Smart Specialization Strategy of Latvia and National Industrial Policy Guidelines 2014-2020 are two mutually coordinated parts of the national economic development plan. The national strategy was developed by the Latvian Ministry of Education and Science through a public participation process. The strategy does not include a clear regional dimension which restricts the possibilities of local and regional stakeholders to create a link between different administrative levels and spatial hierarchies. Further the Ministry is responsible for monitoring the implementation of the strategy. (source: EmplInno Feedback Paper)

In the future Danish context, local and regional (or partly regional) dimensions are recognized and included through a strong influence by local authorities in the board of the National Business Agency and in the board of the 7 Business Centers, and through the regional input that the Business Centers provide the national strategy process with. Further, dialogues between the National Business Agency and local and regional stakeholders, like for instance clusters and innovation networks, is anticipated in relation to strategy development.

The National Danish Business Agency will, as managing authority of for instance the structural funds also have a monitoring role, supported by the Ministry of Business Policy. This is in line with other areas in Denmark where managing authority is decentralized to national agencies.

In comparison with the Latvian approach, the future Danish system seems to maintain a relatively high level of stakeholder involvement, which may support the possibility to build on regional strengths and competences developed through the last decade.

Östra Götaland, Sweden

The region of Östra Götaland has been chosen as the third EmplInno-inspirational case due to two specific aspects: 1) Strategy development is being done at regional level and the region has maintained and in fact also strengthened their position within the Swedish business support system, and 2) an inclusive and open approach to strategy development has consciously been taken. Particularly regarding this second point, the region of Östra Götaland differs from presumably all other EmplInno regions/countries.

In short, the approach may be described as a combined bottom-up/top-down approach with the region taking a clear leading role and being actively involved in developing the strategy and all local and regional stakeholders involved in contributing with their perspective in an open and inclusive process. The process has been lengthy but has also resulted in clear agreements between the regional authority and regional/local stakeholders on objectives and targets to reach, and according to employees at the Region of Östra Götaland it has contributed to maintaining influence, skills and competences in business development at the regional level. During the process, different platforms have been in use (Facebook, internet platform WIDE) in addition to mail correspondence and physical meetings. Due to the intensive involvement of the different stakeholders in the development phases, a high level of information has been created but also a high level of shared responsibility by all involved. Stakeholders know whom to contact in case they have issues to discuss or projects to develop.

In relation to the present and future Danish business support system the level of consensus within the Swedish regional business support system seems to be much higher, and may lead to more focus on action than positioning. Although this may have a positive effect on the efficiency of the money spent on projects, it may have a negative effect on the possibility to include new and innovative

approaches that go across the established structure and system. The involvement of stakeholders in the Swedish S3-development has been both systematic and dynamic, and this could serve as inspiration for future strategy development in a Danish context.

5. Concluding remarks

D2i is a design cluster in South Denmark, strategically connected with one of five areas of strengths in the Region of South Denmark. With the new business support system as it is expected to look, the strategic connection that has partly defined the role and activities of D2i is being transformed. At this moment, it is not possible to establish how and to whom D2i strategically will connect in performing its role and function as implementer of S3.

Although, local and regional stakeholders are expected to be involved in dialogues with the future national business support system it may not involve developing or giving feedback on S3 issues. Also, taking into consideration that the amount of regional and national business support agencies (clusters and innovation networks) are expected to be considerably reduced in numbers, it is not possible to foresee which areas of strength in South Denmark will play a role also in the future.

Looking one or more years ahead, when the plans and intentions being discussed right now have been implemented and the first experiences reached, it might be interesting to take a deeper analysis into e.g. the Baltic Region business support systems briefly described here to identify learning points that could support improvements and adaptations of the Danish system.